
OLR Bill Analysis

sSB 854

AN ACT CONCERNING SOCIAL INNOVATION INVESTMENT.

SUMMARY:

This bill allows the Office of Policy and Management (OPM) secretary or his designee, with legislative approval, to enter into a contract with a social investment enterprise based on a written proposal that (1) the secretary deems sufficient and (2) demonstrates the enterprise will generate a reduction in state expenditures through the accelerated delivery of preventive social programs within the state. A social innovation enterprise is an entity created to coordinate preventive social service delivery by nonprofit service providers with the help of private investment. Currently, the secretary may, on his own, enter into such contracts for prison re-entry programs only.

The bill specifies what the contracts must contain, including benchmarks for measuring the enterprise's performance, and it sets up a process for obtaining legislative approval, which includes steps for when there is disagreement.

As a corollary, the bill eliminates the requirement that the OPM secretary use the social innovation account within the General Fund to facilitate reentry programs and instead allows monies from it to be used (presumably by the secretary) to provide payments to the enterprise, investors, or both in accordance with the contract terms.

CONTRACT REQUIREMENTS

The outcome-based performance contract must include requirements that:

1. payment be conditioned on the achievement of specific, quantifiable outcomes based on defined performance benchmarks;

2. returns on investment be calculated on an ascending scale based on achieving specific, quantifiable performance benchmarks;
3. nonprofit service providers that deliver services as part of such contracts receive a percentage of any return on investment;
4. an objective process be established for an independent evaluator to determine whether the enterprise achieves the performance benchmarks;
5. a calculation be completed of the amount and timing of payments that the nonprofit would earn during each year of the agreement if performance benchmarks were achieved, as determined by the independent evaluator; and
6. the OPM secretary complete a fiscal analysis of the projected savings in specific governmental service areas related to achieving the benchmarks.

LEGISLATIVE REVIEW PROCESS

Before he may enter into a contract, the secretary must obtain the Human Services and Appropriations committees' approval of it. If the proposal is altered, amended, or otherwise changed, the OPM secretary must submit a revised proposal. Each committee must convene a meeting to vote on the initial proposal within 30 days of receiving it or, if the proposal is revised, within 30 days of the resubmission. The request and contract proposal or revised contract proposal are deemed approved if either committee does not act on it within this timeframe.

If the committees disagree on the proposal, the committee chairpersons must appoint a six-member conference committee composed of three members from each committee. At least one member from each committee must be from the minority party. The conference committee must report to the standing committees, which must in turn vote to accept or reject, but not amend, the report. If one committee rejects the conference report, it must notify the secretary, and the proposal is deemed approved. If both committees accept the

report, the Appropriations Committee must advise the OPM secretary of the approval, denial, or any modifications of the contract proposal or revised proposal. If the committees do not advise the secretary during the 30 day period, the proposal is deemed rejected. (This appears to contradict the bill's provision that requires a proposal to be deemed approved if either committee does not act within the 30 day timeframe.)

BACKGROUND

Social Innovation Investment Enterprise

The law defines a social innovation investment enterprise as an entity created to coordinate the delivery of preventive social programs by nonprofit service providers that can (1) create a social investment vehicle to raise private investment capital, (2) enter into outcome-based performance contracts, and (3) contract with service providers.

Outcome-Based Performance Contract

An outcome-based performance contract is one between the OPM secretary and a social innovation enterprise. It (1) establishes outcome-based performance standards for preventive social programs delivered by nonprofit service providers and (2) guarantees investors a return of their investment and earnings only if the enterprise meets the standards.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute Change of Reference
Yea 18 Nay 0 (03/21/2013)

Appropriations Committee

Joint Favorable Substitute
Yea 52 Nay 0 (04/22/2013)